

MINUTES OF THE AUDIT COMMITTEE OF ROANOKE CITY COUNCIL

Location: Council Conference Room
Noel C. Taylor Municipal Building, Room 451 South

Date: June 18, 2012

Time: 12:46 p.m. to 1:15 p.m.

Attendees: Sherman Lea, Audit Committee Chair
Court Rosen, Audit Committee Member
David Trinkle, Audit Committee Member
Drew Harmon, Municipal Auditor
Andrea Trent, Assistant Director of Finance
Tim Spencer, Acting City Attorney
Chris Morrill, City Manager
Dawn Hope Mullins, Assistant Municipal Auditor
Pam Mosdell, Information Systems Auditor
Debbie Noble, Senior Auditor
Ann Clark, Senior Auditor
Denise Martin, KPMG Engagement Manager [via telephone]
Tim Conner, KPMG Audit Partner [via telephone]
Sherman Stovall, Assistant City Manager – Operations
Mrs. James, Citizen
Anita Price, City Council Member

1. Call to Order

Mr. Lea called the meeting to order at 12:46 p.m. Due to a lack of quorum, the June 6th meeting was rescheduled to today. Mr. Lea expressed his appreciation to City management for attending. He also noted that Andrea Trent was sitting in on behalf of Ann Shawver, Director of Finance.

2. KPMG – Audit Plan for Year Ended June 30, 2012

Mr. Conner and Ms. Martin briefed the Committee on the FY12 Audit Plan. The engagement team will remain primarily the same as last year. A planning session was held with management in April and KPMG provided training to City staff in May. KPMG will be auditing the City and City of Roanoke Pension Comprehensive Annual Financial Reports [CAFR]. They will also issue an opinion on federal grant expenditures [Single Audit]. Civic Facilities and Roanoke City Public School financial statements will be audited by other firms.

Work has begun on the City CAFR audit and Single Audit. Substantive audit procedures will be performed on June 30, 2012 balances. Ms. Martin briefly explained E-Audit, KPMG's electronic audit management tool. Two new accounting pronouncements go into effect this year. The pronouncements are not materially applicable to the City and are not expected to have any significant impact on financial reporting. Three new auditing standards are in effect for Fiscal Year 12. These are refinements of previous standards and outline procedures auditors are required to perform over supplemental information accompanying financial statements. There will not be a significant difference from audit work previously done.

The current year Single Audit programs to be reviewed have been anticipated. Ten programs have been preliminarily selected. Mr. Conner discussed the areas evaluated related to audit risk including changes to major component units, current economic conditions, and the reduction in ARRA funding. No major challenges are expected.

Mr. Morrill asked if KPMG will audit based on a proposed accounting standard requiring reporting on future economic conditions. Mr. Connor replied that the economy is only considered as a risk factor. KPMG staff will not audit based on future requirements.

Mr. Conner discussed the various areas of support KPMG receives from City personnel during the engagement and the liaison role undertaken by Municipal Auditing. He further discussed the role materiality and audit sampling play in their audit work. Mr. Conner asked Committee Members to contact him there are any audit areas of emphasis they would like KPMG to consider.

3. Audit Findings Follow-Up

Mr. Harmon briefed the Committee on audit follow-up. Items discussed included:

Transportation – Paving – Management has identified tools to help evaluate streets. Streets are currently being mapped. Department personnel are working with the state to identify streets which should be added to the City's inventory and for which the City should receive reimbursement. An asset inventory system is a longer term project and the investment needed to implement such a tool is under evaluation by management. Auditing is supportive of that effort.

Fixed Asset Inventory Count – Most of the outstanding items were cleared. The remaining reconciliation between the Fleet system and Advantage Financial System is in progress. Municipal Auditing will take another look at this item when it is complete.

Lawson HR/Payroll System – Final steps to complete management's action plans were recently completed. Auditing plans to review the effectiveness of the changes once adequate data is available and will close out the finding at that time.

GRTC Furniture Replacement Project and GRTC Credit Card, Fuel, and Travel Expenses –

Substantially all corrective actions from the investigation have been completed. The U.S. Attorney's Office has obtained convictions related to both cases. Mr. Lea commented that the work of Municipal Auditing staff was a critical piece of the government's case. Mr. Harmon noted that Ms. Mullins was the lead person on the audits and that the federal agencies involved have been highly complementary of her and the audit work.

The Committee had no further questions. The memos were received and filed without objection.

4. Clerk of the Circuit Court

This is an annual audit required by the Virginia Auditor of Public Accounts [APA]. The APA specifies the audit work to be performed. Municipal Auditing staff performs part of the audit in lieu of the city paying an audit fee. The audit results were very good. There were no findings noted by either Municipal Auditing or the APA.

The Committee had no questions and the reports were received and filed.

5. Other Business

Mr. Harmon reported that the Fraud, Waste, and Abuse Hotline roll-out is complete and went very well. Information outlets included the City Corner, City News at a Glance, NewsBytes, and a news story by WSLS. Municipal Auditing staff are also briefing City personnel about the hotline during new employee orientation and the Ethics and Core Value class. The department has received responses via the hotline and the Audit Committee will receive quarterly briefings on hotline activity beginning with the next meeting.

Mr. Lea recognized Mr. Morrill as the new Government Finance Officers Association president of GFOA and extended congratulations on behalf of the Committee.

6. Adjournment

Mr. Lea adjourned the meeting at 1:15 pm.